Economic Development Tools for Local Government:
Applying the hard tools and soft skills of economic development.

Local Economic Development is a Challenging Environment

Cities, towns and villages face any number of difficult financial, social and political challenges, all of which have a bearing on economic development.

Municipal officials are also presented with a troubling public paradox: the public desires economic growth while at the same time wanting to see limits placed on what happens, how it happens, where it happens, how its done, and who its done with.

It can't be escaped because businesses grow and locate in places. This means that location decisions focus more-and-more on cities, towns and villages, putting local officials on the firing line.

It also presents problems for local officials who must come to terms with the fact that economic development is fundamentally different from most of their other responsibilities; it requires that the jurisdiction actually <u>compete.</u>

Some things to remember about this competition:

- It can generate great demands on limited resources.
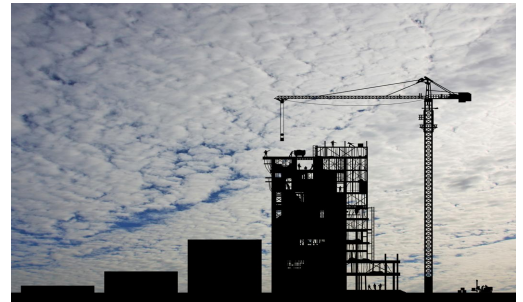
- It has both operational and political challenges.

- It is becoming more professional.

- It is becoming more time sensitive.

- Businesses have greater expectations than in the past.

- It can lead to "Hopes not Plans", as communities continue to hope for development without doing the strategic assessment and planning necessary for success.

The key is to keep three things in mind:

1. Communities must work all three sides of the development triangle: Retention, Expansion & Attraction.

2. "Soft" tools are as important as "hard" ones.

3. Work strategies not projects.

**SSC
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Regional Planning Commission

Some Hard Tools: State Programs

While some Federal tools exist to directly support local economic development projects (such as those provided through the Economic Development Administration), they are most often provided to the business rather than through local governments (e.g., certain tax benefits), or are moved through state and local governments, or are difficult to use because of specific conditions applied to them. For this reason we will focus on some common State tools.

State tools most commonly used tend to address four areas of assistance:

- **Job Training:** Such as the Employer Training Investment Program and the Job Training and Economic Development Grant Program.
- **Financing:** Such as the State Treasurer's Economic Program; DCEO's Large Business Development Program and Business Development Public

Infrastructure Program.

- **Tax Credits:** Such as the EDGE Program and the High impact Business Tax Credit Program.
- **Infrastructure:** Such as IDOT's Economic Development Program; Community Development Assistance Program (CDAP) through DCEO, which is actually the State component of the Federal Community Development Block Grant Program available to "non-entitlement" communities.

It is important for the municipality to understand a number of the factors that limit both State and Federal tools:

- They may be limited by area. Many of these programs trigger based upon a finding of "blight" or the income status of the area (e.g., HUD low income census tracts);
- They may be limited by who the project would

benefit. Many programs base assistance upon the number of new, low to moderate income employees hired.

- They may be limited by the nature of the business. Manufacturing vs. retail (there are few incentives for retail development), high-tech vs. low-tech.
- They may be limited by the size of the project. Number of jobs created and/or retained and the total amount of capital investment.
- They may be limited by the number of new jobs created compared to jobs retained.
- They may be limited by demonstration of competition. Is the company considering a location outside of the State.

The end result is to rule out many common local projects, particularly retail and service establishments.

Some Hard Tools: Local Programs

Aside from the direct provision of assistance to a business (such as direct funding by the municipality from its general revenue or other sources), there are some tools available to the community by Federal and State statute.

These include:

- **Enterprise Zones.** They are municipal but require General Assembly action to create additional ones. At the local level this allows the tailoring of in-

ducements via property tax abatements as well as the abatement of sales tax on materials. Can also involve such State benefits as investment tax credits and other tax credits for large projects.

- **Community Development Block Grants** (State CDAP, above).
- **Public Financing.** Local bonding or through Private Activity Bonds.

- **Tax Increment Financing.** Which is a direct municipal authority with findings of fact that certain conditions, such a blight, exist in the area targeted for TIF.
- **Business Districts.** Similar to TIF in concept but based upon an additional incremental increase in local sales tax in a subject area rather than the incremental increase in property tax.

The Soft Skills

What is often missed in discussions of economic development tools is that for most municipalities the economic development *skills* that they bring to the table may be more important, something within their direct control, and often less expensive than the provision of financial incentives. They are also the skills that help them deal with business retention and expansion as well as attraction. Realize that the bulk of job and capital investment growth that communities see comes from retaining current businesses and helping them expand rather than luring the next automotive plant!

Experience indicates that more communities fail at economic development because they are short on the soft skills rather than the hard tools.

- Pay attention to the businesses you have. Be in regular contact with them and become conversant with their market, producer/supplier needs, and the challenges they face.

Remember, businesses talk to businesses and CEOs talk to CEOs. Many projects are lost because of an anecdote.

- Understand that every community is "Lake Woe-begone". Businesses see all sorts of marketing materials that describe the virtues of every community as a great place to live and raise families. How does your community provide a market edge? For large projects, understand that the company and its agents may know more about you than you know about yourself.

- Get out ahead of the pack. Make the job easier for the company or site location consultant to review the locality. Providing easy access to useful information on-line is a must.

- Let every business know that you are interested in their business and prepared to do what you can to help them solve problems.

- Give the business time.

How can you expedite *their* processes? How can you expedite *your* processes? How can you save a client time?

- Look for that special little something. For example, if the company is on a short timeline for construction, can you expedite their permits?

- Keep their confidences and don't get into a situation where you can't keep your word. Promise confidentiality as a starting point, but have them understand that at some point you must make their project public. Don't over promise. The major incentive you can offer is your word.

- Be professional. Along with being prepared, let the business know that your intention is to help them make a good business decision.

- Be development ready. Hope is not a plan. Do you have project sites that are ready to go, for example.

The Importance of Strategy

One of the biggest failures in local economic development comes from working projects in the absence of working a strategy.

The grand strategy for successful economic development at the local level can be reduced to a simple equation:
ED=(BD+CD)L. ED stands for economic development. Economic development is not something we do, but it is an outcome of other things we

do. These are *business development* (BD) and *community development* (CD).

Business development involves addressing market and business problems in the community that make it difficult to retain and expand the existing business base. Community development includes addressing factors such as workforce, capital availability, access to technology, and quality of life that are critical to business attraction,

retention and expansion. "L " stands for *leadership*. Leadership is a multiplier and can make up for many competitive barriers.

Never become ego involves in a project. Not all projects are right for every community. Work the planned strategy for the community, which will help resolve the public conflicts addressed above.
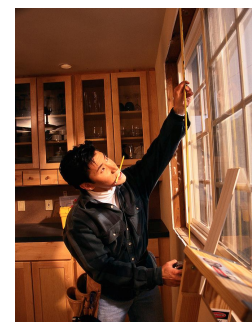
The Springfield-Sangamon County Regional Planning Commission

The Springfield-Sangamon County Regional Planning Commission (SSCRPC) serves as the joint planning body for the City of Springfield and Sangamon County, serving additionally as the Metropolitan Planning Organization (MPO) for the area.

The Planning Commission also works with other public and semi-public agencies throughout the area to promote orderly growth, development and redevelopment.

The Commission has 17 members including representatives from the Sangamon County Board, Springfield City Council, special units of government, and six appointed citizens from the city and county. The Executive Director is appointed by the Executive Board of the Commission and confirmed by the Sangamon County Board.

Through its professional staff, the Planning Commission provides overall planning services related to land use, housing, recreation, transportation, economic development, environmental protection, and also conducts special projects that require objective, technical analysis.

The agency prepares area-wide planning documents and assists the county, cities, and villages, as well as special districts, with planning activities. The staff reviews all proposed subdivisions and development plans, and makes recommendations on all county zoning and variance requests. The agency serves as the Floodplain Administrator, Census coordinator, and local A-95 review clearinghouse to process and review all federally funded applications for the county. The agency also maintains existing base maps, census tract maps, township and zoning maps and the road name map for the county.

The Planning Commission's Executive Director is also the Plats Officer for Sangamon County. Divisions of land must be reviewed by the Plats Officer to insure compliance with the State Plat Act and local zoning and subdivision regulations.

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